

**District Court Funds of  
District No. 25  
City of Lincoln Park, Michigan**

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**Financial Report  
June 30, 2003**

# **City of Lincoln Park, Michigan**

## **District Court Funds of District No. 25**

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## Independent Auditor's Report

To the Honorable Judges  
of the 25th District Court  
Lincoln Park, Michigan

We have audited the accompanying balance sheet of the District Court Funds of District No. 25 as of June 30, 2003 and the related statement of revenue, expenditures, and changes in fund balance - budget and actual - Operating Fund for the year then ended. These financial statements are the responsibility of the District Court's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District Court Funds of District No. 25 of the City of Lincoln Park, Michigan as of June 30, 2003 and its revenue, expenditures, and changes in fund balance - budget and actual - Operating Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

July 25, 2003

# City of Lincoln Park, Michigan

## District Court Funds of District No. 25

**Balance Sheet**  
**June 30, 2003**

	Governmental Fund Type	Fiduciary Fund Type	Account Groups		
	Operating Fund	Agency Fund	General Fixed Assets	General Long-term Debt	Total (Memorandum Only)
<b>Assets</b>					
Cash and investments (Note 2)	\$ 130,597	\$ 201,137	\$ -	\$ -	\$ 331,734
Capital assets (Note 3)	-	-	460,278	-	460,278
Amount to be provided for retirement of general long-term debt	-	-	-	208,199	208,199
<b>Total assets</b>	<b>\$ 130,597</b>	<b>\$ 201,137</b>	<b>\$ 460,278</b>	<b>\$ 208,199</b>	<b>\$ 1,000,211</b>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities</b>					
Due to City of Lincoln Park	\$ 84,811	\$ 126,596	\$ -	\$ -	\$ 211,407
Due to other governmental units	-	40,164	-	-	40,164
Refundable bonds	-	31,007	-	-	31,007
Other	-	3,370	-	-	3,370
Long-term debt (Note 4)	-	-	-	208,199	208,199
<b>Total liabilities</b>	<b>84,811</b>	<b>201,137</b>	<b>-</b>	<b>208,199</b>	<b>494,147</b>
<b>Fund Equity</b>					
Investment in general fixed assets	-	-	460,278	-	460,278
Fund balance - Unreserved and undesignated	45,786	-	-	-	45,786
<b>Total fund equity</b>	<b>45,786</b>	<b>-</b>	<b>460,278</b>	<b>-</b>	<b>506,064</b>
<b>Total liabilities and fund equity</b>	<b>\$ 130,597</b>	<b>\$ 201,137</b>	<b>\$ 460,278</b>	<b>\$ 208,199</b>	<b>\$ 1,000,211</b>

# City of Lincoln Park, Michigan

## District Court Funds of District No. 25

### Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual Operating Fund Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>			
Contributions from City of Lincoln Park	\$ 1,488,280	\$ 1,488,280	\$ -
Interest	-	954	954
Other	-	123	123
Total revenue	1,488,280	1,489,357	1,077
<b>Expenditures</b>			
Salaries and wages	714,951	755,353	(40,402)
Fringe benefits	566,889	545,404	21,485
Supplies and postage	38,500	40,912	(2,412)
Telephone	14,000	13,375	625
Utilities	21,000	20,102	898
Maintenance	22,000	14,570	7,430
Services	66,300	67,770	(1,470)
Other	33,440	5,045	28,395
Capital outlay	11,200	20,066	(8,866)
Total expenditures	1,488,280	1,482,597	5,683
<b>Excess of Revenue Over Expenditures</b>	-	6,760	6,760
<b>Fund Balance - Beginning of year</b>	39,026	39,026	-
<b>Fund Balance - End of year</b>	<u>\$ 39,026</u>	<u>\$ 45,786</u>	<u>\$ 6,760</u>

# **City of Lincoln Park, Michigan**

## **District Court Funds of District No. 25**

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**Notes to Financial Statements**  
**June 30, 2003**

### **Note I - Significant Accounting Policies**

The accounting policies of the 25th District Court (the "District Court") conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant accounting policies:

#### **Reporting Entity**

The District Court is governed by two elected judges. The District Court is responsible for traffic and moving violations, certain civil matters, and misdemeanors within the City limits.

#### **Fund Accounting**

The accounts of the District Court are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are categorized as follows:

#### **Governmental Fund**

**Operating Fund** - The Operating Fund contains the records of the ordinary activities of the District Court that are not accounted for in another fund. The financial activities of the fund are limited to collection of subsidies from the City of Lincoln Park, Michigan (the "City") and payment of expenditures including payroll costs.

#### **Fiduciary Fund**

**Agency Fund** - The depository bond and trust accounts of the District Court are accounted for in an Agency Fund. The financial activities of the fund are limited to collection of amounts that are subsequently returned or paid to third parties. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

#### **Basis of Accounting**

The Operating Fund and the Agency Fund utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Interest on long-term debt is not recorded as an expenditure until its due date.
- b. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.

# City of Lincoln Park, Michigan

## District Court Funds of District No. 25

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**Notes to Financial Statements**  
**June 30, 2003**

### **Note I - Significant Accounting Policies (Continued)**

- c. The noncurrent portion of accumulated sick and vacation pay liabilities is reflected in the General Long-term Debt Account Group.

**Fixed Assets and Long-term Liabilities** - Fixed assets used in the Operating Fund are accounted for in the General Fixed Assets Account Group, rather than in the Operating Fund. Such assets were recorded as expenditures at the time of purchase. No depreciation has been provided on general fixed assets. Fixed assets purchased prior to December 1, 1977 and used by the District Court are owned by the City of Lincoln Park, Michigan and are not reflected in the accompanying financial statements. In addition, the facility used by the District Court is owned by the City and is also not included in the accompanying financial statements.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from the Operating Fund are accounted for in the General Long-term Debt Account Group, not in the Operating Fund.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

**Investments** - Investments are recorded at fair value, based on quoted market prices.

**Memorandum-only Totals** - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

**Upcoming Reporting Change** - For the year beginning July 1, 2003, the District Court plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

Other accounting policies are disclosed in other notes to financial statements.

# City of Lincoln Park, Michigan

## District Court Funds of District No. 25

**Notes to Financial Statements**  
**June 30, 2003**

### **Note 2 - Deposits and Investments**

The District Court's deposits and investments are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

Bank deposits (checking accounts)	\$ 170,734
Investments - Bank investment pools	<u>161,000</u>
Total	<u>\$ 331,734</u>

#### **Deposits**

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$212,282, all of which was covered by federal depository insurance.

#### **Investments**

The District Court is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances, and mutual funds and investment pools that are composed of authorized investment vehicles.

The District Court's investments are in bank investment pools. These investments are not categorized into GASB Statement No. 3 risk categories because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Management believes the investments comply with the authority noted above.



# City of Lincoln Park, Michigan

## District Court Funds of District No. 25

### Notes to Financial Statements June 30, 2003

#### Note 3 - Capital Assets

A summary of changes in general fixed assets follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Furniture and equipment	\$ 452,172	\$ 8,106	\$ -	\$ 460,278

#### Note 4 - Long-term Debt

##### Outstanding Debt

Debt outstanding of the District Court as of June 30, 2003 consisted of \$208,199 of accumulated employee benefits (compensated absences). The accumulated employee benefits represent the estimated liability to be paid governmental fund-type employees under the District Court's sick and vacation policy. The portion that is estimated will be paid currently, if any, has been recorded as a liability in the Operating Fund. Under the District Court's policy, employees earn sick and vacation time based on time of service with the District Court.

##### Changes in Long-term Debt

The following is a summary of long-term debt transactions of the District Court for the year ended June 30, 2003:

	Capital Lease	Compensated Absences	Total
Balances - July 1, 2002	\$ 729	\$ 207,973	\$ 208,702
Increase in long-term portion of employee benefits	-	226	226
Debt retired	(729)	-	(729)
Balances - June 30, 2003	\$ -	\$ 208,199	\$ 208,199

# **City of Lincoln Park, Michigan**

## **District Court Funds of District No. 25**

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**Notes to Financial Statements**  
**June 30, 2003**

### **Note 5 - Budget Information**

The budget of the Operating Fund is prepared by the District Court management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2003 has not been calculated. The budget was not amended during the current year.

The budget has been prepared in accordance with generally accepted accounting principles.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison to the budget as adopted by the City Council is shown in the financial statements. This comparison includes expenditure overruns.

### **Note 6 - Postemployment Benefits**

The District Court provides health care benefits to all full-time employees upon retirement. Currently, five retirees are eligible. The District Court includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The District Court purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due. The City bills the District Court based on the District Court's total number of employees. During the year, this amounted to approximately \$119,000.

### **Note 7 - Defined Benefit Pension Plan**

The District Court has no individual pension plan for its employees or judges. The District Court employees are participants in the City of Lincoln Park Municipal Employees' Pension Plan. The judges are covered under the State of Michigan Retirement Plan, a contributory defined benefit pension plan. Pension contributions to the Employees' Pension Plan, which were charged to the Operating Fund, were \$97,420 in 2003. Pension contributions for the District Court judges are collected as court costs and remitted to the State through the District Court's Agency Fund. Actuarial information on the two retirement plans is not available for the District Court employees or judges. Trend information is contained in the City of Lincoln Park and State of Michigan's audited financial statements.

# **City of Lincoln Park, Michigan**

## **District Court Funds of District No. 25**

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**Notes to Financial Statements**  
**June 30, 2003**

### **Note 8 - Risk Management**

The District Court is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District Court, through the City, has purchased commercial insurance for medical benefit claims and participates in the Michigan Municipal League risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.